

Retiring Times

Volume 1 Number 3

Active Teachers

July 2002

Message from Vermont State Treasurer James Douglas

I want to reassure all of you that your pension fund is sound and your benefits are secure. My office has received dozens of phone calls from teachers around the State who are concerned about the health of their retirement plan in the wake of the Enron and WorldCom scandals. It is unfortunate that press reports of losses in the pension fund caused you any worry, but your plan is just fine. In fact, The State Teachers' Retirement Fund had a total return of 3.4% for the year ended March 31, 2002, which means that the fund increased by \$37 million since last April 1. When compared to all other public pension funds, your fund ranks in the top third over the past seven years.

"My office has received dozens of phone calls from teachers... in the wake of the Enron and WorldCom scandals."

Let me explain how your pension system

works. Yours is a defined benefit, or DB, plan. In a DB plan, your eventual benefit is a contractual responsibility of the State. Your benefit is determined by your number of years of service and your final average compensation, NOT by investment performance. The assets of the plan are invested in both the stock and bond markets because it is the best method to accumulate additional assets.

Right now your plan has a market value that is 98.1% of all future liabilities. That means that if the plan were suddenly frozen, 98.1% of all the money needed to provide promised benefits to active and retired participants would already be there on a market value basis. Sounds pretty good, doesn't it? But the next part gets a little more difficult to explain.

The plan retains an actuary to project just what all those future liabilities will be. The actuary makes a lot of assumptions about how long re-
(continued on page 2)

Message from Retirement Operations Director Cynthia L. Webster

Our world changed on September 11 with the attacks on New York and Washington. Many of us have friends, family, or business associates in those areas. Some of us may have lost a loved one.

If anyone – you, a member of your family, a colleague, or a friend - is called to active duty during these troubled times, please save the following information on how to obtain retirement credit for time on active duty.

The school should report to us that an em-

ployee has been called to active duty. This will notify us of the reason for the cessation of retirement contributions from the member. The individual does not need to contact us when he or she is called to active duty – the school will do this.

However, the individual should contact the Retirement Office as soon as possible after returning to work. He or she should let us know that they were called to active duty and that they have now returned to work. To be eligible for

(Continued on page 2)

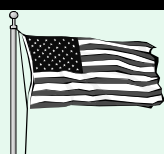
Treasurer's Message (continued from page 1)

tired people will live and what their benefits will be based on future salaries. In addition, the actuary projects asset growth at 8 ½% annual rate. These assumptions are very difficult to predict with complete accuracy, so to compensate both for changes in demographic statistics and investment market fluctuations, the actuary employs a five-year smoothing technique that recognizes only 20% of accumulated investment gains or losses in any one year. After that calculation, the actuarial valuation of assets is \$1.117 billion, or 89% of all future liabilities – still a very well funded plan.

Since three of the last five years had accumulated

gains, there are approximately \$20 million more in additional gains waiting to be absorbed into the system on an actuarial basis – much more than the \$2.5 million loss in Enron in the fourth quarter. I wish I could report that none of the investment managers had invested in Enron, and I am sure that they wished they had not as well. However, I am pleased to report that our exposure to WorldCom was limited to a small investment in a bond portfolio. Thus, the retirement plan remains very healthy and your benefits remain secure.

Please call my office if you have further questions.



July 4, 1776–July 4, 2002 226 Years of Independence



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Director's Message (continued from page 1)

retirement credit, they must return to work within 90 days of discharge from active duty.

We will need a copy of the DD214 or other discharge paper, the day that they began active duty, and the day that they finished active duty. We will then determine the amount of retirement credit that they have earned while on active duty.

The retirement credit will cover all periods of active duty, whether it is just a few weeks or a few years. The retirement credit will be based upon the full-time or part-time work that they were doing prior to being called to active duty. (If the individual was not an active member and contributing to the retirement fund at the time that he or she was called to active duty in the military, then retirement credit cannot be granted when that individual finishes active duty military service.)

Finally, if a member is injured while on active duty in the military and is unable to return to their employment, they should still contact us. The intent of the law is to give them full credit toward retirement, and we will try to fulfill that intent of the law. We would also consider disability retirement benefits for members who are permanently disabled and unable to work. A disability retirement would provide a retirement pension upon confirmation of their disabled status by the Board of Trustees. Their pension amount would be determined by the number of years of employment for the school.

In summary, the individual only has to return to work within 90 days of discharge, contact the Retirement Office after they return to work, and provide a copy of the DD214 or other discharge paper. If these three things are done, retirement credit will be given for all active duty time in the reserves or national guard.

Cynthia L. Webster

Calculator for the Purchase of Service Credit

The cost of purchasing service credit can now be estimated through a calculator on the retirement office web page. To reach the web page, go to www.tre.state.vt.us, click on State Teachers' Retirement System on the far left side column of the page, click on Calculator. You will then be guided through the process.

For those of you who don't have access to the internet we have designed this form to help you estimate your own service credit purchase. For assistance, call the Retirement Office at 1-800-642-3191 (VT only) or 802-828-2305.

Available for purchase

Out of State Service
Withdrawn In State Prior Membership
In State Deferred Membership (Maximum 1 Year)

In State Under Age 30 Suspension
Private or Parochial Service
Out of State Government Employment
Out of State Municipal Employment

- Should you qualify, you can purchase up to a combined total of 10 years of service credit from the list above, and;

Military Service

Peace Corps

VISTA

- Should you qualify, you can purchase up to 5 years of service credit from the list above after you have reached a total of 15 years of earned/purchased service credit, and;

"Air Time"

- Once you have reached a total of 25 years of earned/purchased service credit, you can purchase up to 5 years of air time.

Calculation

If you work part time, please contact the Retirement Office for an estimate.

The following calculation only works for full time members.

Current Salary \$ _____
Age Factor (From Chart Below) x _____
Cost per Year = _____
Years Available/Needed x _____
Total Cost = _____

Calculate your closest age. For example, if you are age 54 + 6 months or more, your closest age is 55. If you are age 54 + 5 months or less, your closest age is 54.

Age	Factor	Age	Age	Age	Age	Age	Age
21	0.12345	31	0.12076	41	0.13523	51	0.17010
22	0.12264	32	0.12139	42	0.13767	52	0.17507
23	0.12192	33	0.12220	43	0.14030	53	0.18032
24	0.12129	34	0.12320	44	0.14315	54	0.19552
25	0.12076	35	0.12439	45	0.14623	55	0.21214
26	0.12032	36	0.12578	46	0.14953	56	0.20914
27	0.12005	37	0.12733	47	0.15309	57	0.20601
28	0.11996	38	0.12907	48	0.15691	58	0.20274
29	0.12005	39	0.13093	49	0.16100	59	0.19932
30	0.12032	40	0.13299	50	0.16539	60	0.19577
						70	0.15491

This form is designed to provide a close estimate. If you wish to make a purchase of service credit, please contact the retirement office for an exact cost.

New Tax Law Changes Rules on Purchasing Time

You have time that you could purchase, but you don't have the money. What can you do? The Economic Growth and Tax Relief Reconciliation Act of 2001 could help you.

Under the new law, you can now purchase retirement time with money from tax-sheltered vehicles, such as 401(k), SDIA (Single Deposit Investment Account), and IRA accounts while still actively employed. You pay no penalty or tax for transferring funds from

“You can now purchase retirement credit with money from tax-sheltered vehicles, such as 401(k), SDIA, and IRA accounts.”

these accounts to the retirement system to purchase additional years of time. Many types of time can be purchased: military service, employment with a municipality, employment with state government in any state, employment as a teacher in a public school system in any state, or “air time”. All purchases of time must be made before you officially retire and start to receive your pension benefits.

If you have questions or would like to discuss transferring money from a tax-sheltered account to purchase retirement time, please call the Retirement Office at 828-2305 or 1-800-642-3191. (Toll-free number can only be used from a phone in Vermont.)

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